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REPORT OF THE BOARD OF AUDITORS TO THE GENERAL ASSEMBLY ON THE ACCOUNTS OF THE VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES FOR THE PERIOD ENDED 31 DECEMBER 2000

Addendum 1 - Measures taken or proposed in response to the recommendations in the Report of the Board of Auditors to the General Assembly on the Accounts of the Voluntary Funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 2000

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I. INTRODUCTION

1. In accordance with paragraph 10 of General Assembly resolution 47/211 of 23 December 1992, the following is a report on measures taken or to be taken by UNHCR in response to the main recommendations of the Board of Auditors, as set out in paragraph 11 of their Report (A/AC.96/949). Unless otherwise indicated, all references appearing below relate to the aforementioned Report. This document also deals with previous recommendations not fully implemented, as detailed in paragraph 8 of the Report as well as the other recommendations mentioned in its paragraph 12.

Financial management

II. RECOMMENDATION 11 (a)

2. Strengthen its oversight of field offices to ensure that they undertake a thorough verification of Sub-project Monitoring Reports, including the verification of supporting documentation and bank statements (para. 30);

Measures Taken by the Administration

An updated Section 6.5 of Chapter 4 of the UNHCR Manual dealing with the Sub-Project Monitoring Report (SPMR) was issued in January 1999. This provided improved guidance for Field Offices on how to process SPMRs within the Field Office, and identified the different responsibilities of Programme and of Finance staff. The updated Section 6.5 took into account the various complexities of UNHCR's operations in the field and provided four possible scenarios, together with flowcharts in graph format. Preceding the description of the four scenarios is the following paragraph:

> "There are four possible scenarios, and corresponding options, for completing the Financial Monitoring Report (Part 1 of the SPMR) and these are outlined below. It should be stressed that the Representative is responsible for selecting the appropriate option, for ensuring that relevant measures are in place for implementing partner recording, and for designating an officer to carry out project control functions. The Representative must inform Headquarters (Desk and Financial Services) in writing on the option chosen initially, and/or when the option changes, for the proper recording and accounting of IPR information."

While guidance has been provided in Section 6.5 of Chapter 4, it is clear that field offices have not (a) always complied with the guidelines, and (b) systematically informed Headquarters of the option chosen.

UNHCR agrees with the need to strengthen its oversight of Field Offices in order to improve the situation with regard to SPMRs. It plans to take the following action in response to this audit recommendation:

ACTION	TIMEFRAME	RESPONSIBLE /UNIT
(1) Follow up with each country office to identify which option has been chosen according to Ch. 4	November 2001	Senior Resource Managers in each Bureau in consultation with Financial Resources Services

ACTION	TIMEFRAME	RESPONSIBLE /UNIT
(2) Review adequacy of measures in place through missions	Ongoing	(a) Financial Resources Services, Finance Section and Audit Focal point in collaboration with the Senior Resource Managers. (b) Inspector-General's Office; (c) UNHCR Audit Services-OIOS
(3) Inclusion of this as a specific measurement in the objectives and performance appraisal of Directors of Bureaux	February 2002	The Department of Operations under the direction of the Assistant High Commissioner will ensure implementation with the technical support of the Career and Staff Support Service

In parallel with this exercise the existing guidelines will be reviewed by the Division of Operational Support/ Programme Coordination and Operations Support Section (DOS/PCOS) with a view to providing more extensive procedural guidance on SPMR verification. In addition, Finance Section has developed a pro-active plan of action to monitor the balances recorded in the Project Expenditure Control Account (x.21) in the course of the current financial year. These combined activities should guarantee appropriate Financial Monitoring of implementing partner expenditures, and provide sufficient evidence that project expenditure has complied with the terms of the sub-project agreements.

III. RECOMMENDATION 11 (b)

3. Ensure that field offices review audit certificates received in respect of projects and follow up any significant issues arising (para. 38);

Measures Taken by the Administration

UNHCR has already implemented this recommendation. The revised UNHCR Manual, Chapter 4 Section 5.1 and Appendix 8(c), contains guidelines to field offices requiring them to inform Headquarters whenever they are in receipt of a report containing a qualified audit opinion. They are also required to regularly review the performance of the implementing partners. Whenever the performance is no longer satisfactory UNHCR field staff may apply a range of interventions in order to remedy the situation, such as training and coaching and additional technical assistance. Should these measures not yield positive results, the partner will be informed that due to the failure on their part to meet the quality criteria, UNHCR might be obliged to terminate (or not renew) the existing sub-agreement.

To further ensure that implementing partners have adequate accounting systems and financial records, UNHCR's Head of Financial Resources Service wrote to 42 major partners implementing projects with an aggregate value amounting to over US $ 1 million, requesting them to provide a description of their respective accounting systems in order to obtain assurance that the UNHCR

funds are accounted for properly. The responses received will be reviewed in cooperation with the UNHCR Audit Service, Office of the Internal Oversight Services (OIOS).

Management issues

IV. RECOMMENDATION 11 (c)

4. Establish for the Integrated Systems Project clearly defined, ranked benefits that are quantified as far as possible, in order to establish realistic milestones against which progress can be monitored (para. 64);

Measures Taken by the Administration

The Administration has suspended the implementation of the PeopleSoft (Enterprise Resource Planning) component of the Integrated Systems Project (ISP) in order to review the overall design and to ensure its compatibility with a Corporate Operating Model that is currently being defined. Wherever possible, realistic estimates at each phase of the Project will be costed and ranked. It is expected that some key benefits will arise sequentially from the replacement of vulnerable and deficient existing systems. Others, however, will only result from the ultimate integration of applications.

V. RECOMMENDATION 11 (d)

5. Establish and maintain a single line of project management through which staff report on all aspects of the Integrated System Project development (para. 81);

Measures Taken by the Administration

It is fully acknowledged that the frequent changes in the project governance structure have been a major problem over the past two years. The uncertainty surrounding accountability and reporting structures has been one of the key factors in the delays in implementing Phase 0. During Phase 0, based on a job description and terms of reference, a position was established for a longer-term Project Manager. Upon resumption of the ISP, the position will be re-advertised and all Project staff will report to the Project Manager, who in turn will report to a single Project Sponsor. This will enable quick decision-making and clear accountability.

VI. RECOMMENDATION 11(e)

6. Review the appropriateness of engaging in projects which are not of direct assistance to refugees, and routinely set clear milestones against which to measure progress and assess when its mission was complete (para. 97);

Measures Taken by the Administration

The issue of prioritisation of activities has been under examination by UNHCR at one time or another for the past 12 years. As part of his examination of UNHCR's operations, the new High Commissioner initiated a review, known as Action 1, to define UNHCR's core activities, particurlarly as regards

protection, and to examine UNHCR's assistance and emergency capacity, as well as the role of UNHCR's staff in carrying out its mission, in coordination with its partners.

The Action 1 review resulted in *Guidelines on priority-setting: Core and non-core activities*. In terms of UNHCR's engagement in projects which are not of direct assistance to refugees/returnees, the following categories and parameters have been defined:

No:	A. Categories of Operations	Core	Parameter
A.9	Reintegration operations (defined as longer-term development activities which are not necessarily limited to returnees and which focus on communities and infrastructure, rather than individuals)	No	If an exception is made, then (1) additional funding should be guaranteed for the duration of the operation; (2) it should be undertaken alongside, and in coordination with, development agencies; (3) it should be limited in time to a maximum of 18 months.
A.10	IDP operations	No	If an exception is made, then (1) it must be on the basis of IOM/87/FOM/91/97, as supplemented by the March 2000 Position Paper on IDPs; (2) additional funding should be guaranteed for the duration of the operation.

The above activities, now defined as non-core, come under a category known as "Special Operations". Rules and procedures for Special Operations have been drafted and are under review by senior management.

UNHCR accepts the need to review the appropriateness of engaging in projects which are not of direct assistance to refugees/returnees. It also accepts that projects should have clear milestones against which progress can be measured.

UNHCR plans to take the following action in response to this audit recommendation:

ACTION	TIMEFRAME	RESPONSIBLE PERSON/UNIT
(1) Finalise the Procedures for "Special Operations".	October 2001	Deputy High Commissioner; Division of Operational Support/ Programme Coordination and Operations Support Section. (DOS/PCOS)
(2) Incorporate the results of Action 1 into Section 4.2 (Country Operations Plan - COP) of the UNHCR Manual to provide guidance to the Field for 2003 COPs	December 2001	DOS/PCOS

ACTION	TIMEFRAME	RESPONSIBLE PERSON/UNIT
(3) Incorporate guidance on setting milestones into the *Guide for the Use of Workplans*	November 2001	DOS/PCOS

VII. RECOMMENDATION 11 (f)

7. Establish a suitable system to ensure that accurate information is maintained on the size and characteristics of the refugee population (para. 100);

Measures Taken by the Administration

Following the release of the final report on the *Study for scoping of Project PROFILE* conducted by Deloitte & Touche, the Population and Geographic Data Section (PGDS) submitted in mid-March 2001 a proposal from the Division of Operational Support (DOS) that outlined the following:

"(a) a request for the endorsement of project PROFILE as a strategic operational priority for the years to come; (b) the proposal provided the high-level cost implications for implementation of project PROFILE over a period of three to four years and (c) seeking agreement to initiate a request to the Operations Review Board (ORB) for release of funds from the 2001 Operational Reserve to start development and implementation of project PROFILE as envisaged in the study."

Taking into account the outcome of Actions 1, 2 and 3, and the current financial situation facing the Office, further work is required to clarify the scope of project PROFILE. The approach to the development and implementation of project PROFILE as originally envisaged under the Study, including determining a business case for technological investments proposed under the project, is therefore currently under review by senior management.

In order not to delay much needed process changes and improvements in performance in the area of registration and population data management, focus is being given to addressing the non-IT components and initiatives of PROFILE. To support this approach and in line with the Auditors' recommendation, a limited investment to move forward is currently under consideration as an alternative proposal for the remainder of 2001, by upgrading the existing legacy registration and case management systems, i.e. the Registration of Individual Cases System (RICS) and Field-Based Registration System (FBARS).

VII. RECOMMENDATION 11 (g)

8. Include clearly stated and quantified objectives and outputs in sub-projects agreements and produce workplans incorporating key milestones and target dates (para. 103).

Measures Taken by the Administration

The format of Sub-Project Descriptions attached to Sub-Agreements, was updated in late 1999. This incorporated the concept of objectives and

outputs. An up-date to the UNHCR Manual, Section 4.4 of Chapter 4 (Sub-Projects and Sub-Agreements) which covers this issue was released in November 2000, for implementation of project agreements in the year 2001.

UNHCR accepts the need to include clearly stated and quantified objectives and outputs in Sub-Project Descriptions. However, this is a new way of planning and replaces the earlier focus on activities and inputs. As such, it requires extensive training and follow-up reinforcement to ensure that the concept is understood. UNHCR also agrees that workplans are useful in specific situations (see next section) and should contain milestones and target dates.

UNHCR plans to take the following action in response to this audit recommendation:

ACTION	TIMEFRAME	RESPONSIBLE /UNIT
(1) Incorporate guidance on setting milestones and target dates into the *Guide for the Use of Workplans*	November 2001	Division of Operational Support/ Programme Coordination and Operations Support Section. (DOS/PCOS)
(2) Incorporate the concept of workplans, milestones and target dates into the Operations Management Learning Programme, when it is reviewed in 2002 after the pilot testing	June 2002	DOS/PCOS
(3) Reinforce the concept of objectives, outputs, workplans, milestones and target dates in the strategic planning workshops	February - March 2002	DOS/PCOS

Previous recommendations not fully implemented

VIII. RECOMMENDATION 8 (a)

9. Make the preparation of work plans an integral part of the project-planning and monitoring process (1995, 1996, 1998 and 1999);

Measures Taken by the Administration

UNHCR agrees that workplans can be an important element of project planning and monitoring. The UNHCR Manual, Section 4.3 (November 2000 version) on Project Submissions, thus specifies the following:

" Workplans (Annex C)

5.1 All offices and Headquarters Units are encouraged to prepare and use workplans at the appropriate level (normally either at the project level or at the sub-project level). However, the submission of a workplan at the

project level is an optional requirement which depends on the implementation requirements of the project. Workplans are project management tools. As such, they aid managers by highlighting critical points in the project implementation process that might require special intervention or monitoring. They also provide a written framework, which should be agreed by all partners, showing the sequence and timing of activities and inputs necessary to achieve the specific objectives of the project. Typical projects requiring the establishment of workplans are settlement and camp relocation projects, infrastructure development projects, and institution-building projects. In these cases, the availability of a realistic workplan that is regularly adjusted to reflect the evolving situation can determine the success or failure of the overall project. On the other hand, projects which revolve around routine and recurrent activities would normally not require the creation of a detailed workplan. Examples include ongoing institutional support and service activities such as waste disposal and the operation of health posts and feeding centres.

5.2 A workplan may cover one or several years according to the nature of the project. It serves to provide a schedule of implementation for the project and to establish milestones that can be used to monitor progress. A workplan should contain the following elements:

the task to be accomplished (for all Outputs listed under each Sector Activity contained in Section 5 of the Project Description); the time frame (i.e. which months of the year, or which year); and the implementing partner or UNHCR unit responsible for carrying out the task."

Furthermore, Section 4.4 (November 2000 version) on Sub-Projects and Sub-Agreements provides the following additional guidance:

"8. Workplan (Annex C)

8.1 All offices are encouraged to use workplans, especially at the sub-project level. The workplan should provide a schedule for implementation of the Sub-Project, and establish milestones to monitor progress. A workplan allows planners to highlight critical points in the Sub-Project implementation process to assist in management and monitoring of implementation. These points will relate directly to crucial activities (e.g., the delivery of food, the completion of road repairs, and the distribution of shelter materials), which could determine the success or failure of the overall sub-project. For certain activities, however, the establishment of a workplan might not be logical or possible, or it might not assist in sub-project management and monitoring. Relevant examples would be legal assistance activities and resettlement of individual cases, and the provision of routine services in a camp environment, such as teaching and garbage collection.

8.2 Where applicable, workplans may cover one or more years. A sample format for a workplan can be found in Appendix 3. Offices wishing to use special software to develop their workplans are requested to contact the OMS Section (user-id: HQOMS) in order to discuss their needs and obtain the required electronic tools. If both parties agree not to issue a workplan as part of the Sub-agreement, this should be explicitly stated under Section 3 "Implementation Arrangements" of the Sub-Project Description."

In UNHCR's view, workplans can be a useful tool for monitoring implementation of projects and sub-projects. However, their usefulness is limited if applied to recurrent activities which are of a repetitive nature. The above components of Chapter 4 provide examples where workplans could be useful both at the project level (e.g. settlement and camp relocation projects, infrastructure development projects, and institution-building projects) and at the sub-project level (e.g., the delivery of food, the completion of road repairs, and the distribution of shelter materials).

Efforts to develop new software to facilitate the establishment of workplans in the field have been put on hold for the time being as a result of the current suspension of the Integrated Systems Project. However, the use of existing software (MS Project and MS Excel) for workplanning is still possible. An internal review of the use of workplans concluded that there is insufficient guidance provided on (a) when workplans serve a useful purpose, and (b) how to go about establishing a workplan. Accordingly, pending the development and introduction of software for workplanning purposes, the following action is planned:

ACTION	TIMEFRAME	RESPONSIBLE /UNIT
(1) Production of a *Guide for the Use of Workplans* when preparing Projects and Sub-Projects.	November 2001	Division of Operational Support/ Programme Coordination and Operations Support Section. (DOS/PCOS)
(2) Incorporation of the Guide in step-by-step guidance as part of a Task-Based Guidance CD-ROM	February 2002	DOS/PCOS

IX. RECOMMENDATION 8 (b)

10. Ensure complete and accurate disclosure of non-expendable property and conduct physical stock checks on a regular basis (1996, 1997, 1998 and 1999).

Measures Taken by the Administration

As previously explained to the Board, the management of assets in UNHCR is a decentralised process. In the field, each country operation is responsible for providing a complete and accurate database of the assets under their care and that of implementing partners. At Headquarters, asset management is the responsibility of the Supply Unit and Building Services within the Supply Centre. The Asset Management Unit, which is also now within the Supply Centre and has primary responsibility for the purchase of assets, is responsible for compiling the figures presented in the Financial Statement.

In May 2000, UNHCR introduced a simplified, "user-friendly" programme that operates in the Windows environment known as AssetTrak. The field's response has been very positive - confirming the ease of use and simplicity of the programme. The rollout event was used to remind all responsible parties of the requirement to conduct an annual physical check of assets.

As part of the 2001 year-end closure process UNHCR will once again reinforce instructions issued to field offices to ensure complete and accurate disclosure of non-expendable property. UNHCR will also seek to have field offices confirm the accuracy of their respective inventories during the fourth quarter of 2001, based on physical stock checks, and provide an update for use in consolidating the figures for presentation in the financial statements. Field office managers have been reminded of their responsibility in this regard.

Other Recommendations

X. RECOMMENDATION Para 53

11. The Board recommends that UNHCR exert tighter control over the level of outstanding travel advances to reduce the extent to which such amounts may have to be written off in the future.

Measures Taken by the Administration

This recommendation has been implemented. Instructions were issued on 25 July 2001, informing staff members that as from 1 October 2001, automatic deductions from salaries would be implemented in all cases where the travel claim in support of the travel advance has not been submitted 90 days after the last day of official travel.

XI. RECOMMENDATION Para 70

12. The Board recommends that UNHCR make future software provision only after a fully costed assessment of any modifications needed.

Measures Taken by the Administration

The auditor's recommendation has been duly noted and will be implemented for future software acquisition.

Given UNHCR's unique nature and work environment it was necessary to complete a gap analysis to enable it to specify requirements to the competing implementers in as much detail as possible and to ensure that these requirements were clearly understood and costed. PeopleSoft was selected as the preferred product, based upon a diligent review of functionality, cost and compliance with technology requirements. This purchase allowed UNHCR to install the product on site, prepare situation-specific scenarios with functional staff and document changes that met their exact needs. Such a study could not be implemented without having first selected the product based upon best fit for user requirements. UNHCR believes that the recent acquisition of the Peoplesoft package to implement the Integrated Systems Project was not contrary to the auditor's recommendation.

XII. RECOMMENDATION Para 87

13. The Board recommends that ISP staff costs be recorded to an ISP project account code to enable a comprehensive assessment of project costs.

Measures Taken by the Administration

A list of all staff (full and part-time) associated with the ISP has been compiled, and an analysis completed to make the necessary changes to charge their costs to the ISP account code. Due to the suspension of the PeopleSoft component of the ISP until the completion of a Corporate Operating Model, most ISP staff have been temporarily returned to their originating sections. The planned changes in account codes were also suspended pending a decision on the future direction of the project.

XIII. RECOMMENDATION Para 90

14. The Board recommended, and UNHCR agreed, that project management should set achievable delivery targets based on a realistic appraisal of the complexity of the project and the availability of resources.

Measures Taken by the Administration

UNHCR accepts this recommendation and expects that with both a very clear project management structure (see reply to recommendation 11(d)) and active executive sponsorship, realistic timetables of deliverables and required resources will be developed and adhered to.

XIV. RECOMMENDATION Para 105

15. The Board therefore recommends that UNHCR develop an integrated framework of performance reporting which would clearly show achievement against objectives.

Measures Taken by the Administration

UNHCR is in the process of examining the issue of performance reporting within the larger context of results-based management or performance management within the Operations Management System. UNHCR's operations management cycle consists of the four elements of Plan, Implement, Monitor, and Evaluate. These four elements are inter-linked and reporting is an integral part of the system.

While new and automated systems can clearly support improved performance management, they will not by themselves bring about the required improvements. A comprehensive effort is required to ensure that the linkages between the four elements are strengthened and that various sub-elements, such as resource allocation and reporting, are integrated.
UNHCR accepts the need to have an integrated framework of performance reporting, and will pursue this within the larger context of strengthened performance management within the Operations Management System.

UNHCR plans to take the following action in response to this audit recommendation:

ACTION	TIMEFRAME	RESPONSIBLE PERSON/UNIT
Undertake an internal review of results-based management/performance management within the Operations Management System, and recommend a comprehensive set of improvements for implementation.	January 2002	Deputy High Commissioner

XV. RECOMMENDATION Para 107

16. The Board recommends that UNHCR establish the numbers and status of staff belonging to projects which are fully funded by UNHCR and are designed to supplement local staff numbers, and assess any consequent liabilities which may accrue to the organization.

Measures Taken by the Administration

In February 1991, FOM/23/1991 sought information from field offices on the use of implementing partner staff "seconded to and/or under the supervision of UNHCR in the Field". The FOM stated, inter alia:

(a) UNHCR's policy is not to expand this type of contractual arrangement. Rather, UNHCR will seek to assure the services presently being provided by agency contracted staff through full delegation of responsibilities to implementing partners, wherever this is possible, or by making provision for posts in UNHCR staffing tables;

(b) The objective is to contain this type of contractual arrangement and where possible reduce the number. If the expanded use of such arrangements is considered the only solution to meeting UNHCR operational demands, then Headquarters' approval must be obtained.

During the early to mid-1990s, UNHCR made a concerted effort to phase down this type of "staffing" arrangement and the global numbers were reduced. In October 1997, the then Inspection and Evaluation Service (IES) undertook a review of project staff and issued a document titled: *Review of UNHCR's Project Staff Arrangements*. The report contained a number of pertinent findings and recommendations: there is a need to review how effectively those recommendations have been implemented.

In April/May 2001, the UNHCR Audit Services of the Office of Internal Oversight Services (OIOS) conducted a review of UNHCR project personnel, commonly referred to as "UNHCR project staff", and their final report has now been received. The following points constitute the main findings and recommendations of OIOS:

The subject of "project personnel" has been a controversial issue for years. It should now be effectively addressed and not postponed, or forgotten about as appears to have been the strategy in the past, with previous recommendations never implemented. Positive action is now required.

UNHCR's 1991 policy of not expanding this type of "staffing" arrangement should be revived and updated with an aim to phase out "project staff". Once re-introduced, compliance needs to be assertively pursued and closely monitored.

UNHCR accepts the need to deal comprehensively with the issue of project staff. As such, it is preparing a policy to phase out project staff over a period of two years through the adoption of a number of measures.

UNHCR plans to take the following action in response to this audit recommendation:

ACTION	TIMEFRAME	RESPONSIBLE PERSON/UNIT
(1) Issue a new policy on UNHCR project staff with the goal of phasing out the arrangement over a two year period	October 2001	Deputy High Commissioner
(2) Establish the actual number of UNHCR project staff in each location	December 2001	Field Representatives; Senior Resource Managers in each Bureau; DOS/PCOS
(3) Establish implementation plans for the phase-out	In 2002	Field Representatives; Senior Resource Managers in each Bureau; DOS/PCOS
(4) Monitor implementation and ensure phase-out	Ongoing to December 2004	Senior Resource Managers in each Bureau; DOS/PCOS Budget Section